

Message Text

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PAGE 01 EC BRU 04628 070003Z
ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 SP-02 USIA-06 AID-05 NSC-05
EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 AGR-05
IGA-02 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
NSAE-00 PA-01 PRS-01 COME-00 FRB-03 XMB-02
OPIC-03 LAB-04 SIL-01 /098 W
-----071238Z 060802 /41

R 061753Z MAY 77
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 3741
INFO ALL EC CAPITALS
USMISSION OECD PARIS
AMEMBASSY LISBON

C O N F I D E N T I A L EC BRUSSELS 04628

E.O. 11652: GDS
TAGS: EFIN, EEC, PO
SUBJECT: BALANCE OF PAYMENTS ASSISTANCE FOR PORTUGAL

REF: (A) STATE 100831, (B) EC BRUSSELS 4520, (C) EC BRUSSELS
6826, (D) BONN 7464, (E) LONDON 6826

1. MISSION OFFICRS DELIVERED NOTES (TAKEN FROM REFA A) WITH
INVITATION TO MAY 16 PARIS MEETING ON PORTUGAL TO CHEFS DE
CABINET OF EC COMMISSION VICE PRESIDENTS HAERKAMP AND
ORTOLI (FFROSCHMAIER AND GAUTIER-SAUVAGNAC) AS WELL AS TO
OFFICIALS IN DG-I (EXTERNAL RELATIONS) AND DG-II (ECONOMIC
AND FINANCIAL AFFAIRS). THEY SAID THAT THEY WOULD
NOTIFY US WHEN A DECISION WAS TAKEN AS TO EC ATTENDANCE.

2. GAUTIER-SAUVAGNAC TOLD MISSION OFFICER THAT THE
CURRENT FEELING IN EC IS THAT COMMUNITY ASSISTANCE
TO PORTUGAL SHOULD TAKE THE FORM OF "STRUCTURAL AID" RATHER
THAN BALANCE OF PAYMENTS SUPPORT. (THIS IS CONSISTENT
WITH REPORT ON MAY 3 COUNCIL MEETING IN REF B.) HE
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PAGE 02 EC BRU 04628 070003Z

POINTED OUT THAT THE COMMUNITY HAS A MECHANISM IN PLACE
TO PROVIDE FINANCING FOR STRUCTURAL PURPOSES - THE
EUROPEAN INVESTMENT BANK - WHICH IS ALREADY ENGAGED IN
PROJECT LENDING TO PORTUGAL UNDER THE OCTOBER 1975 COUNCIL
DECISION TO PROVIDE 150 M.U. A. EMERGENCY AID TO PORTUGAL
(OF WHICH 18 MILLION HAS NOW BEEN EXTENDED). WE NOTED
THAT WHILE EIB PROJECT LENDING IS NO DOUBT VERY

USEFUL FOR PORTUGAL, THERE WAS ALSO AN URGENT NEED FOR
NEAR- TERM BALANCE OF PAYMENTS SUPPORT.

3. GAUTIER- SAUVAGNAC SAID THAT THERE IS NO PRECEDENT FOR
PURELY BALANCE OF PAYMENTS SUPPORT TO COUNTRIES OUTSIDE
THE COMMUNITY, AND THAT DECISIONS ESTABLISHING EXISTING
COMMUNITY MECHANISMS FOR BALANCE OF PAYMENTS SUPPORT ARE
THAT SHOULD A POLITICAL DECISION BE TAKEN TO PROVIDE
BALANCE OF PAYMENTS SUPPORT THROUGH THE COMMUNITY, THIS
COULD BE DONE THROUGH A NEW COUNCIL DECISION. IN THIS
CASE, THE MECHANISM CHOSEN WOULD PROBABLY BE AN EC
BORROWING AND LENDING OPERATION SIMILAR TO THE PRESENT
COMMUNITY LOAN FACILITY, UNDER WHICH THE COMMUNITY HAS
PROVIDED (OR IS PROVIDING) \$1.8 BILLION IN BALANCE OF
PAYMENTS ASSISTANCE TO ITALY AND IRELAND. COMMUNITY
PROCEDURES WOULD TAKE AT LEAST SIX MONTHS.

4. COMMENT: ACCORDING TO OUR INFORMATION, ALL PAST OR
PROSPECTIVE EC FINANCIAL ASSISTANCE TO NON-MEMBERS -
SUCH AS THAT WHICH WILL BE PROVIDED UNDER THE RECENTLY
NEGOTIATED FINANCIAL PROTOCOL FOR GREECE - HAS BEEN OF
THE PROJECT VARIETY, THE MAJOR PORTION THROUGH THE EIB.
EXISTING COMMUNITY BALANCE OF PAYMENTS SUPPORT
MECHANISMS - SUCH AS THE CENTRAL BANK SHORT- TERM MONETARY
SUPPORT, THE MEDIUM-TERM FINANCIAL SUPPORT FACILITY,
AND THE COMMUNITY LOAN MECHANISM - DO SPECIFY THAT
RECIPIENT COUNTRIES BE MEMBER STATES. NEVERTHELESS,
AS GAUTIER-SAUVAGNAC ACKNOWLEDGED, IF A POLITICAL DECISION
WERE TAKEN, THE LACK OF READY-MADE MECHANISMS WOULD NOT BE
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PAGE 03 EC BRU 04628 070003Z

AN INSURMOUNTABLE BARRIER. WHILE WE THINK COMMISSION
WOULD BE INTERESTED IN SUCH A PROGRAM, THERE ARE
INDICATIONS THAT SOME IMPORTANT MEMBER STATES WOULD
PREFER NOT TO PROVIDE THIS TYPE OF ASSISTANCE THROUGH
THE COMMUNITY (FOR EXAMPLE REFS C, D, E). THUS, PROSPECTS
FOR A COMMUNITY CONTRIBUTION AT THE MOMENT ARE AT LEAST
UNCERTAIN. END COMMENT.
HINTON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, DEVELOPMENT PROGRAMS, MEETINGS, MEETING REPORTS, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 06-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ECBRU04628
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770161-0136
Format: TEL
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770586/aaaacwma.tel
Line Count: 105
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d0c38a99-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 STATE 100831, 77 EC BRUSSELS 4520, 77 EC BRUSSELS 6
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2619585
Secure: OPEN
Status: NATIVE
Subject: BALANCE OF PAYMENTS ASSISTANCE FOR PORTUGAL
TAGS: EFIN, PO, EEC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/d0c38a99-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009